

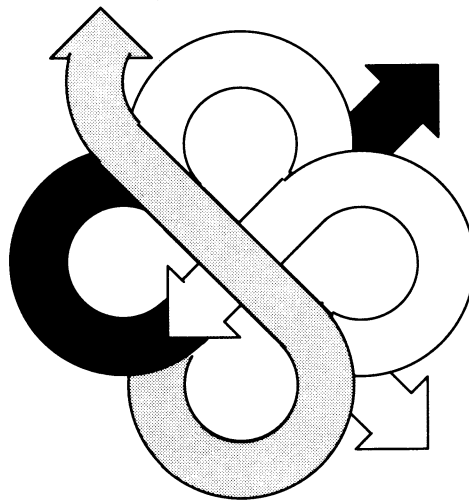


CURRENT POPULATION REPORTS^{*}
Household Economic Studies

Series P-70, No. 24

by
Kathleen Short
Martina Shea

Transitions in Income and Poverty Status: 1987-88



**Data from the
Survey of Income and
Program Participation**

U.S. Department of Commerce
Economics and Statistics Administration
BUREAU OF THE CENSUS

Acknowledgments

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Sampling review was conducted by **Rajendra Singh**, Chief, and **Melissa Sanchez**, Survey of Income and Program Participation Branch, Statistical Methods Division.

The staff of Administrative and Publications Services Division, **Walter C. Odom**, Chief, provided publication planning, design, composition, editorial review, and printing planning and procurement.

CURRENT POPULATION REPORTS

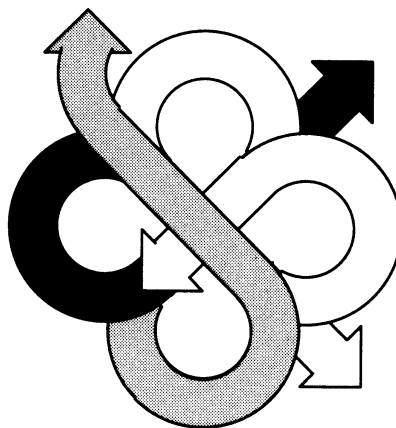
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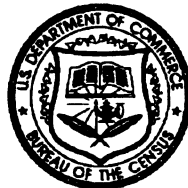
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SUGGESTED CITATION

U.S. Bureau of the Census, Current Population Reports,
Series P-70, No. 24, Transitions in Income and Poverty Status: 1987-88
U.S. Government Printing Office, Washington, DC, 1991.

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Transitions in Income and Poverty Status: 1987-88

INTRODUCTION

This report presents data from the complete 1987 panel file of the Survey of Income and Program Participation (SIPP) on changes between 1987 and 1988 in the income and poverty status of persons. Descriptions of the SIPP program and the 1987 panel file are contained in appendixes A and D, respectively. A similar report issued in June 1990, Current Population Reports, Series P-70, No. 18, "Transitions in Income and Poverty Status: 1985-86," presented data on income and poverty status changes between 1985 and 1986 from the 1985 panel file, as well as analytical text describing the data. This report contains detailed estimates for 1987 and 1988 comparable with the estimates for 1985 and 1986, but does not contain descriptive text.

Unlike the poverty and income data collected in the Current Population Survey (CPS), which does not allow analysis of change in income or poverty status for particular individuals, SIPP data make it possible to gauge movement along the income distribution and into and out of poverty for the same persons in two consecutive years. These data enable comparisons to be made between the characteristics of persons who remained poor in both years, those who were able to exit poverty between 1987 and 1988, and those who were poor in 1988, but not in 1987. The universe in this report includes only persons for whom information was collected in all eight waves of the panel.

SIPP also enables analysis of family composition change during the period of study and its effect on income and poverty status. Persons in families share resources and generally act as an economic unit. In the CPS income

reports, the focal reference groups are families and unrelated individuals. However, the use of the family as a reference group for income estimates covering a two-year period presents problems because the composition of individual families can change over time. In order to incorporate the effect of changes over time in family composition into our measures of income and poverty, the data in this report are presented for persons rather than families. Persons are characterized by the income and poverty status of their respective family unit based on living arrangements each month during the period of study.

Although there are a few differences, the definition of income in this report is basically that used in the CPS. It reflects money income only before taxes and does not include the value of noncash benefits such as employer-provided health insurance, food stamps, or Medicaid. Differences in income concepts between CPS and SIPP are discussed further in appendixes B and D.

The poverty definition used here is the official definition of poverty as determined by the Office of Management and Budget. The official poverty definition consists of a set of annual money income thresholds that vary by family size and composition. Families or individuals with income below their appropriate threshold are classified as below the poverty level in the reference year. The poverty statistics exclude inmates of institutions, Armed Forces members in barracks, and unrelated individuals under 15 years of age. The poverty thresholds are updated every year to reflect changes in the Consumer Price Index. The average poverty threshold for a family of four was \$11,611 in 1987 and \$12,092 in 1988. Estimates of persons below the poverty level based on SIPP differ from the official numbers published annually in the Current Population Reports, Series P-60, based on the CPS. The reasons for these differences are discussed in appendix D.